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*Office Memorandum* • UNITED STATES GOVERNMENT

TO : Comptroller

DATE: 12 September 1951

FROM : Assistant Comptroller

SUBJECT: Attached memorandum re: Policy on Bonus and Gratuity Payments

1. The recent paper on "Rights, Priveleges, and Benefits of Covert Personnel", which I understand has been approved by the DCI and is in process of being printed for release as Part XIV of the CFR, provides the following in defining the rights and benefits that may be extended to Career and Contract Agents:

"Bonus or Incentive Payments. Specific or general provision for bonuses may be made in the contract. The chief of the division concerned must make a formal statement, approved by the appropriate Assistant Director or his designee, that the provisions under which the bonus was authorized have been ~~carried~~ out before payment may be made."

In defining the rights and benefits that may be extended to Field Agents the following language appears:

"Discretionary Authority. Operating offices have complete discretion in establishing reasonable remuneration, travel, and allowances of Field Agents, and may grant special payments or bonuses in excess of such agreements when necessary."

The above mentioned paper on "Rights, Priveleges, and Benefits" does not contain authority for the payment of bonuses or incentive payments to any other category of personnel except the three mentioned above namely: Career Agents, Contract Agents, and Field Agents.

2. The following comments and/or suggestions are offered in connection with the attached memo.

a. It is suggested that if any change, amendment or clarification of the policy quoted in one above is required that it be written in the form of a revision or amendment to Part XIV of CFR.

b. If I understand paragraph 2.b of the attached memo a "gratuity payment" is defined as a "claim" which we have to pay. This appears to be contrary to the generally accepted dictionary definition of the word gratuity. The dictionary definition is "Something given freely or without recompense; a gift. Something voluntarily given in return for a favor or service." Payments of the type described under 2.b would appear to be operational payments which we have to make to protect security or operations, and should

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only be made in any case after it has been determined by appropriate operating officials that we have to make such payments in the interest of security of operations. It is suggested that the word gratuity be avoided entirely. The Agency should pay "bonuses" only as an incentive and reward for actual accomplishments, or "operational payments" because we have to in the interest of security of operations.

c. It would appear that bonuses should be paid as (1) an incentive for the accomplishment of some objective defined in advance or (2) as a "reward" and recognition for extraordinary initiative and accomplishment above and beyond the call of duty.

(1) Where a bonus is offered as an incentive for the accomplishment of a definable per-determined task, provision therefor could be inserted in the contract and payment made upon positive certification by the appropriate operating officials that the bonus had been earned.

(2) Where a bonus is to be paid as a "reward" for superior accomplishment there is the problem of first determining on a factual basis that the individual has in fact rendered a superior service above and beyond the call of duty and that he should be rewarded. Second is the problem of determining the appropriate "reward", which might be in the form of a promotion; a citation, or commendation; or a monetary reward. If a monetary reward is given a determination must be made as to the amount, and there should, of course, be some consistency in the amounts given to various individuals for similar accomplishments.

If it is contemplated that "bonuses" are to be used as a major "incentives" and "rewards" device it is suggested that consideration be given to the establishment of an "Incentive and Awards Board" on the operating office or agency level and that such Board be delegated authority to review recommendations for "bonuses" and other "rewards" and recommend to the Assistant Director concerned appropriate "rewards" for extraordinary initiative or accomplishment.

3. I do not agree with subparagraph (4) under 2.a which suggests that "bonuses" paid to "Field Agents" must be described and justified on the payment voucher. Such a description and justification would of necessity include operational objectives, methods, and techniques which should not be exposed to persons processing payment documents who do not "need to know" such information. It might be found desirable to

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develop certain standards, criteria, or guiding principles based upon experience, which could be sent to field stations as a guide, and make an after the fact review by headquarters of bonus payments to Field Agents to see that field stations were observing proper standards and discretion. However, I don't believe any restrictions on the payment of bonuses to Field Agents should be arbitrarily imposed until a complete review of payments that have been, and are being, made is conducted at headquarters. If such a review indicates loose practices in the payment of bonuses to Field Agents at certain stations it would appear more proper to take up remedial or corrective action with those stations on an individual basis than to impose restrictions on all stations because of the bad practices or indiscretions at a few stations. In view of the lack of formality attending the employment of Field Agents any standards imposed with respect to payment of "bonuses" must be general in nature and so conditioned as not to deprive the station chief of proper discretionary authority.

4. The "Rights, Priveleges, and Benefits" paper mentioned in paragraph (1) above establishes a policy whereby bonus and incentive payments may be authorized for Career and Contract Agents by either general or specific provision in the contract and paid upon approval of the appropriate Assistant Director. It also establishes the policy that the operating offices may grant special payments or bonuses to Field Agents. What appears to be lacking is a set of standards and procedures outlining the general types of accomplishments which justify bonus and incentive payments, a factual method of reporting within the operating offices that will definitely establish that a certain individual has made an extraordinary accomplishment which warrants payment of a bonus, and the standards or methods, or system which will be used in arriving at a proper determination of the amount of a "bonus" payment in each case. It is suggested that a factual review be made of all bonus payments made, or committed, to date to determine the extent to which the bonus device is being used, the types of accomplishments for which bonus payments are being made, the methods of reporting such accomplishments, and the methods used in determining the amount of such bonuses.

5. Recommendations. It is suggested that the Task Group be requested to conduct a staff study on this problem and make recommendations to the Senior Review Committee on any policy changes which appear necessary, and/or recommend specific standards, procedures, or system to give force and effect to approved or recommended agency policy. It is suggested that the staff study include a review and analysis of all bonus payments that have been paid or provided for to date, and the methods used in determining the amounts paid or authorized, in order that there may be a factual basis for determining the extent to which the bonus device is being used, the soundness of the methods being used in verifying extraordinary accomplishments and determining amounts of bonus payments, and the extent and nature of abuses, if any.

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